



## CONSOLIDATION LOAN PROGRAM

### 1% Interest Rate Reduction

after 36 on-time payments with a consolidation loan of \$7,500 or more

#### **ATTENTION**

**Michigan Students First (MSF) and Michigan Engineering Incentive (MEI) borrowers**

You will lose the 0% interest rate benefit if you consolidate.

If you are unsure of your benefit status, review the information provided on our Web site at **[www.michigan.gov/studentaid](http://www.michigan.gov/studentaid)**. If still in doubt, call our office toll-free at 888-643-7521.

To ensure your consolidation application is processed without delay, complete these 4 steps!

\_\_\_\_\_ **#1.** If you have eligible loans and have at least one of the following qualifications, you are potentially eligible to consolidate with the Michigan Higher Education Student Loan Authority (**MHESLA**), of the State of Michigan.

- You are a Michigan resident; or
- You attended a Michigan postsecondary educational institution; or
- You obtained educational loans from a financial institution located in Michigan.

**NOTE:** If you meet these qualifications, enter **825585 in item #11** of the application.

\_\_\_\_\_ **#2.** Use **[www.nslds.ed.gov](http://www.nslds.ed.gov)** to gather student loan information needed on the application:

- Item #21 Loan Holder: This is your lender.
- Item #30 Loan Account Number: Usually this is your Social Security number.

\_\_\_\_\_ **#3.** Read all materials provided. Complete all sections of the Federal Consolidation Loan Application and Promissory Note (App/Prom Note), using dark ink. If a section does not apply to you, enter N/A for Not Applicable. Be sure to sign and date Section G of the App/Prom Note located on page 4.

\_\_\_\_\_ **#4.** Make a copy of the App/Prom Note and Additional Loan Listing Sheet (if used) for your records, and mail the **original forms** to Nelnet, our servicer. The address is shown in the top right corner on the first page of the application form.

(The following **optional** spreadsheets may be helpful in deciding if consolidation would benefit you.)

# Repayment Information (Federal Consolidation Loan)

## DETERMINE YOUR LOAN AMOUNT AND INTEREST RATE

It is important for you to identify the total estimated current balance to be consolidated. This information will assist you in choosing a repayment option and projecting an estimated monthly payment amount. Complete the following chart to obtain this information.

**Column 1.** Enter the loan type of each loan you want to consolidate (e.g., Subsidized Stafford, SLS, etc.) A complete listing is provided in Section D of the Instructions for Completing the Federal Consolidation Loan Application and Promissory Note.

**Column 2.** Enter the estimated current balance for each loan and total the column.

**Column 3.** Enter the interest rate for each loan.

**Column 4.** The interest rate for your Federal Consolidation Loan will be the weighted average of the interest rate of the non-HEAL loans being consolidated, rounded up to the nearest 1/8th of one percent, not to exceed 8.25 percent. Use the instructions below for calculating the weighted average interest rate.

The HEAL portion of your consolidation loan, if any, will maintain a variable interest rate which adjusts each July 1. The interest rate is the average of the bond equivalent rates of the 91-day Treasury Bills auctioned for the quarter ending June 30, plus 3.0%. If you have a HEAL loan included in your Federal Consolidation Loan, you may have up to two interest rates on the consolidation loan — fixed and variable.

### Instructions for Calculating the Weighted Average Interest Rate

1. Multiply each figure in Column 2 by the Interest Rate in Column 3. Enter the result in Column 4 and total the column.
2. Divide the total of Column 4 by the total Estimated Current Balance of Column 2.

\$ \_\_\_\_\_ (Total Column 4) ÷ \$ \_\_\_\_\_ (Total Column 2) = \_\_\_\_\_ %

3. Round this figure up to the nearest 1/8th of one percent \_\_\_\_\_ % (not to exceed 8.25 percent) for the Weighted Average Interest Rate.

(1) Loan Type	(2) Estimated Current Balance	(3) Interest Rate	(4) Interest Factor
	\$		\$
	\$ Total		\$ Total

## LENGTH OF THE REPAYMENT PERIOD

The following table shows the maximum repayment period available based on the total amount of your estimated Federal Consolidation Loan and other outstanding education loans.\*

Less than \$7,500	= 10 years	\$20,000 to \$39,999.99	= 20 years
\$7,500 to \$9,999.99	= 12 years	\$40,000 to \$59,999.99	= 25 years
\$10,000 to \$19,999.99	= 15 years	\$60,000 and above	= 30 years

### Note:

You can request a repayment period shorter than the maximum allowed. A shorter repayment period will decrease your interest costs.

\*You may qualify for a longer repayment period (which would reduce your monthly payment) if you have other outstanding eligible education loans that are not being consolidated, or other education loans that are not eligible for consolidation, but meet the following description. Loans must have been obtained under a public or private loan program exclusively to finance postsecondary education from an institution that makes loans, such as a bank, school, or state agency. (Personal loans from family or friends, or loans in default may not be included.) If you have other outstanding education loans that are not being included in this Federal Consolidation Loan, and you would like the balance of the loans to be used to determine the repayment period on your Federal Consolidation Loan, be certain to list such loans on the Federal Consolidation Loan Application and Promissory Note, Section D.2.

# Repayment Information (Continued)

## REPAYMENT OPTIONS

You may choose one of the repayment options described below for your Federal Consolidation Loan, and you will have a repayment period of 10 to 30 years depending on your student loan debt.

- **Standard Payments** – This option provides standard, equal monthly payments. The final payment may be slightly larger or smaller.
- **Graduated Payments** – A graduated repayment schedule allows for payments to be smaller at the beginning of repayment, with the payments gradually increasing in stages over the course of the repayment period on the loan. Based on federal regulations, the payment amount in any one stage may not be more than three times the amount of any other stage. Selecting a graduated repayment period may increase your costs.
- **Income-sensitive Payments** – This option establishes payments annually based on your expected total monthly gross income from employment and all other sources. If you and your spouse jointly consolidate your loans, payment will be based on your total household income from all sources. If you are a FFELP borrower and have not borrowed under the Federal Direct Loan Program, and you are unable to secure a Federal Consolidation Loan from an eligible lender or cannot secure a Federal Consolidation Loan with income-sensitive terms, you may obtain a Federal Consolidation Loan from the U.S. Department of Education. Selecting an income-sensitive repayment period may increase your costs. If you select this option, you may initially be set up under a standard or graduated repayment plan as explained in Section E of the application.
- **Extended Payments** – This option allows borrowers with FFELP loans in excess of \$30,000 to repay over a 25-year period. Under the other repayment options, you must have at least \$40,000 in debt to qualify for a 25-year repayment period. If you have debt in excess of \$60,000 and wish to repay over 30 years, you need to select one of the other repayment options.

If you do not notify your lender of your choice of payment plans or do not provide your lender with the documentation required for an income-sensitive schedule, your lender will establish a standard repayment schedule.

**NOTE:** If your payments are set up under graduated, income-sensitive or extended repayment, this may increase the overall cost of your loan. Because interest accrues on the principal loan balance, smaller payments to the principal loan balance will result in a higher interest accrual.

## STANDARD REPAYMENT

Using the estimated current balance amount that you identified above in column 2 and the estimated weighted interest rate that you calculated, use the following table to determine the estimated monthly payment of your Federal Consolidation Loan. The repayment table provides for estimated level monthly payments for the maximum number of years identified. The total interest identified assumes payments are received the day the payment is due and reflects the total amount of interest that will be paid over the life of the loan. If you are consolidating HEAL loans, contact the consolidating lender for information on estimating your payment amount.

Principal Amount Of Loan	Term (Years)	4%		5%		6%		7%		8%	
		Monthly Payment	Total Interest	Monthly Payment	Total Interest	Monthly Payment	Total Interest	Monthly Payment	Total Interest	Monthly Payment	Total Interest
\$ 5,000	10	\$ 51	\$ 1,075	\$ 53	\$ 1,364	\$ 56	\$ 1,661	\$ 59	\$ 1,967	\$ 61	\$ 2,280
\$ 7,500	12	\$ 66	\$ 1,956	\$ 70	\$ 2,489	\$ 74	\$ 3,040	\$ 78	\$ 3,607	\$ 82	\$ 4,191
\$10,000	15	\$ 74	\$ 3,315	\$ 80	\$ 4,235	\$ 85	\$ 5,190	\$ 90	\$ 6,177	\$ 96	\$ 7,201
\$12,500	15	\$ 93	\$ 4,143	\$ 99	\$ 5,293	\$106	\$ 6,487	\$113	\$ 7,724	\$120	\$ 9,003
\$15,000	15	\$111	\$ 4,972	\$119	\$ 6,352	\$127	\$ 7,785	\$135	\$ 9,268	\$144	\$10,803
\$20,000	20	\$122	\$ 9,087	\$132	\$11,678	\$144	\$14,389	\$156	\$17,215	\$168	\$20,150
\$25,000	20	\$152	\$11,359	\$165	\$14,598	\$180	\$17,986	\$194	\$21,518	\$210	\$25,187
\$30,000	20	\$182	\$13,631	\$198	\$17,517	\$215	\$21,583	\$233	\$25,822	\$251	\$30,224
\$35,000	20	\$213	\$15,903	\$231	\$20,437	\$251	\$25,181	\$272	\$30,126	\$293	\$35,261
\$45,000	25	\$238	\$26,258	\$264	\$33,920	\$290	\$41,981	\$319	\$50,416	\$348	\$59,196
\$60,000	30	\$287	\$43,122	\$323	\$55,954	\$360	\$69,503	\$400	\$83,706	\$441	\$98,494

Continued

# Repayment Information (Continued)

## GRADUATED AND INCOME-SENSITIVE REPAYMENT

The following chart shows estimated monthly payment amounts for graduated and income-sensitive repayment schedules. These payment amounts may differ from actual calculations due to rounding and system calculation methods. The total interest listed assumes equal, fixed payments are received the day the payment is due. If you choose income-sensitive repayment, your lender will make a reasonable determination of your monthly payment amount based on the income documentation that you provide. Interest rates are based on the weighted average of non-HEAL loans being consolidated, rounded up to the nearest one-eighth of one percent, not to exceed 8.25%. If you wish to include HEAL loans, call your consolidating lender first.

Principal Amount of Loan	Term (Years)	GRADUATED REPAYMENT *				INCOME-SENSITIVE REPAYMENT **		
		Interest Rate: 5%				Interest Rate: 5%		
		Starting Monthly Payment	Monthly Payment at Month 60	Ending Monthly Payment	Total Interest Paid Over Life of Loan	Starting Monthly Payment	Ending Monthly Payment	Total Interest Paid Over Life of Loan
\$ 5,000	10	\$ 30.00	\$ 51.96	\$ 90.00	\$ 1,715.63	\$ 33.99	\$ 77.47	\$ 1,687.28
\$ 10,000	15	\$ 48.07	\$ 65.80	\$144.21	\$ 5,305.00	\$ 51.92	\$ 98.67	\$ 4,953.46
\$ 20,000	20	\$ 83.34	\$104.26	\$228.34	\$ 14,628.40	\$ 91.32	\$153.86	\$ 13,167.14
\$ 30,000	20	\$125.00	\$156.38	\$342.48	\$ 21,944.95	\$132.99	\$232.94	\$ 19,896.92
\$ 40,000	25	\$166.67	\$191.43	\$382.59	\$ 36,509.49	\$172.89	\$261.18	\$ 33,036.29
\$ 50,000	25	\$208.34	\$239.29	\$478.25	\$ 45,635.92	\$214.56	\$327.18	\$ 41,367.89
\$ 60,000	30	\$250.00	\$273.84	\$473.01	\$ 65,804.86	\$254.85	\$348.82	\$ 59,888.17
\$ 70,000	30	\$291.67	\$319.49	\$551.85	\$ 76,770.44	\$296.52	\$407.28	\$ 69,916.26
\$ 80,000	30	\$333.34	\$365.13	\$630.69	\$ 87,736.02	\$338.18	\$465.74	\$ 79,945.88
\$ 90,000	30	\$375.00	\$410.76	\$709.51	\$ 98,707.29	\$379.85	\$524.12	\$ 89,997.85
\$100,000	30	\$416.67	\$456.41	\$788.36	\$109,672.87	\$421.52	\$582.65	\$100,005.14

\*Graduated payments increase every 2 years. This chart only shows estimated payment amounts at the start of repayment, 60 months (5 years), and end of repayment.

\*\*Income-sensitive repayment eligibility is based, in part, on the borrower's annual salary. The above calculations are estimated using an annual salary of \$25,000. Borrowers must resubmit the income-sensitive repayment request annually. Not all applicants will be eligible for this type of repayment plan.

## CAPITALIZATION INFORMATION

Capitalization is a process whereby a lender adds unpaid interest to the principal balance of a loan. You are responsible for paying the accruing interest due on your Federal Consolidation Loan from the date the lender disburses the loan proceeds to the holders of the loans being consolidated, until your Federal Consolidation Loan is paid in full. Depending on the loan types included in your Federal Consolidation Loan, you may qualify to have the federal government pay the interest on your loan or a portion of your loan during an authorized deferment period.

If you are granted a deferment (and you are responsible for interest that accrues during such periods) or forbearance and you choose to defer payment and capitalize the accrued interest, the principal balance of your loan will increase. Capitalization may occur no more frequently than quarterly. As a result of capitalization, you will pay more interest charges over the life of the loan. When you resume repayment, your monthly payment amount will be higher or you will make more payments. Contact your consolidating lender if you have any questions or need more information.

### Capitalization Chart for Loans at an 8% Interest Rate

This chart compares the monthly payments on loans in a deferment or forbearance status where the interest is paid (Option 1) and where the interest is not paid, causing it to be capitalized (Option 2). The estimate of interest capitalized in these examples is based on quarterly capitalization over a 12-month period.

Principal Amount Of Loan	Option 1: Interest Paid		Option 2: Interest Capitalized	
	Interest Paid Monthly	Monthly Payment	Interest Capitalized Quarterly	Monthly Payment
\$ 5,000	\$ 34.00	\$ 61 (120 months)	\$ 413	\$ 66 (120 months)
\$ 7,500	\$ 50.00	\$ 82 (144 months)	\$ 619	\$ 88 (144 months)
\$10,000	\$ 67.00	\$ 96 (180 months)	\$ 826	\$104 (180 months)
\$15,000	\$100.00	\$144 (180 months)	\$1,237	\$156 (180 months)
\$20,000	\$134.00	\$168 (240 months)	\$1,651	\$182 (240 months)